

MFL MARMAC COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2015

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MFL MARMAC COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

Patty Burkle	President	2015
Gina Roys	Vice President	2017
Brian Meyer	Board Member	2017
Sharon Greener	Board Member	2015
Tonya Meyer	Board Member	2015
Josh Grau	Board Member	2017
Jonathon Moser	Board Member	2017

**School Officials**

Dr. Dale Crozier	Superintendent
Cindy Koons	District Secretary/Treasurer

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384  
Clarion, IA 50525-0384  
(515)532-6681 Phone  
(515) 532-2405 Fax  
[BETCO@mchsi.com](mailto:BETCO@mchsi.com) E-mail

### Independent Auditor's Report

To the Board of Education of  
MFL MarMac Community School District:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac Community School District, Monona, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Emphasis of Matter

As discussed in Note 13 to the financial statements MFL MarMac Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial

Reporting for Pensions . an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

#### Other Matters

##### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 45 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MFL MarMac Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 10, 2016 on our consideration of MFL MarMac Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering MFL MarMac Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

May 10, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

MFL MarMac Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 Financial Highlights**

General Fund revenues increased from \$8,374,600 in fiscal 2014 to \$8,905,697 in fiscal 2015, while General Fund expenditures decreased from \$8,699,124 in fiscal 2014 to \$8,690,706 in fiscal 2015. The District's General Fund balance increased from \$278,645 in fiscal 2014 to \$498,308 in fiscal 2015.

The district's Solvency Ratio has dropped in recent years, however much of this drop was deliberate, as the district decided to carry significantly less cash in the general fund, and was preparing for spending in other funds. In FY 16 the district is putting more cash into the general fund to increase solvency. In FY 15 the district's solvency increased slightly.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of MFL MarMac Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MFL MarMac Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which MFL MarMac Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major Funds.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-1 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: such as food services & preschool	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

**Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

**Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

**Fund Financial Statements:** The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds. not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

**Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.



The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

**Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds; the School Nutrition Fund and Preschool Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

**Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

Agency Funds . These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary net Position.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-2 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014

Figure A-2

Condensed Statement of Net Position							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
	\$	\$	\$	\$	\$	\$	
Current and other assets	8,398,268	9,014,972	106,460	72,806	8,504,728	9,087,778	-6%
Capital assets	6,068,246	6,014,419	31,232	35,804	6,099,478	6,050,223	1%
<b>Total assets</b>	<b>14,466,514</b>	<b>15,029,391</b>	<b>137,692</b>	<b>108,610</b>	<b>14,604,206</b>	<b>15,138,001</b>	<b>-4%</b>
Deferred outflows of resources	680,071	-	18,131	-	698,202	-	100%
Long-term liabilities	7,704,377	4,307,667	204,960	100,219	7,909,337	4,407,886	79%
Other liabilities	641,261	1,310,119	-	-	641,261	1,310,119	-51%
<b>Total liabilities</b>	<b>8,345,638</b>	<b>5,617,786</b>	<b>204,960</b>	<b>100,219</b>	<b>8,550,598</b>	<b>5,718,005</b>	<b>50%</b>
Deferred inflows of resources	4,766,755	3,481,271	40,195	9,530	4,806,950	3,490,801	38%
Net Position:							
Net investment in capital assets,	3,378,246	3,174,419	31,232	35,804	3,409,478	3,210,223	6%
Restricted	3,669,120	3,978,856	-	-	3,669,120	3,978,856	-8%
Unrestricted	(5,013,174)	(1,222,941)	(120,564)	(36,943)	(5,133,738)	(1,259,884)	-307%
<b>TOTAL NET POSITION</b>	<b>2,034,192</b>	<b>5,930,334</b>	<b>(89,332)</b>	<b>(1,139)</b>	<b>1,944,860</b>	<b>5,929,195</b>	<b>-67%</b>

The District's combined net position decreased by nearly 67%, or \$3,984,335, from the prior year. The second largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$309,736 or 8% from the prior year.

Unrestricted net position . the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . decreased \$3,873,854, or 307%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,977,962 and \$106,188, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts

for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contributions. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-3 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-3

Figure 11.3

	Change in Net Position						Percentage Change 2014-2015
	Governmental Activities		Business-type Activities		Total School District		
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	563,672	627,657	246,604	240,247	810,276	867,904	-7%
Operating grants & contributions	1,338,867	1,352,903	243,872	237,620	1,582,739	1,590,523	-1%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	3,518,402	3,216,425	-	-	3,518,402	3,216,425	9%
Income Surtax	345,764	328,398	-	-	345,764	328,398	5%
Statewide sales service & use tax	751,009	699,679	-	-	751,009	699,679	7%
Unrestricted state grants	3,620,204	3,635,031	-	-	3,620,204	3,635,031	-1%
Unrestricted investment earnings	7,182	8,682	15	13	7,197	8,695	-17%
Other revenues	273,434	86,330	-	-	273,434	86,330	217%
<b>Total Revenues</b>	<b>10,418,534</b>	<b>9,955,105</b>	<b>490,491</b>	<b>477,880</b>	<b>10,909,025</b>	<b>10,432,985</b>	<b>5%</b>
Expenses:							
Instruction	6,649,129	6,265,014	-	-	6,649,129	6,265,014	6%
Support services	2,792,191	2,807,220	-	-	2,792,191	2,807,220	-1 %
Non-instructional programs	-	-	472,496	463,808	472,496	463,808	2%
Other expenditures	895,394	803,115	-	-	895,394	803,115	11%
<b>Total expenses</b>	<b>10,336,714</b>	<b>9,875,349</b>	<b>472,496</b>	<b>463,808</b>	<b>10,809,210</b>	<b>10,339,157</b>	<b>5%</b>
<b>CHANGE IN NET ASSETS</b>	<b>81,820</b>	<b>79,756</b>	<b>17,995</b>	<b>14,072</b>	<b>99,815</b>	<b>93,828</b>	<b>6%</b>
Net position beginning of year (restated)	1,952,372	5,850,578	(107,327)	(15,211)	1,845,045	5,835,367	-68%
Net position end of year	2,034,192	5,930,334	(89,332)	(1,139)	1,944,860	5,929,195	-67%

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$10,418,534 and expenses were \$10,336,714.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

*Figure A-4*

**Total and Net Cost of Governmental Activities**

	<b>Total Cost Of Services 2015</b>	<b>Total Cost of Services 2014</b>	<b>Net Cost of Services 2015</b>	<b>Net Cost Of Services 2014</b>
	\$	\$	\$	\$
Instruction	6,649,129	6,265,014	5,111,983	4,648,882
Support Services	2,792,191	2,807,220	2,759,443	2,771,788
Non-instructional	-	-	-	-
Other Expenses	895,394	803,115	562,749	474,119
<b>TOTAL</b>	<u>10,336,714</u>	<u>9,875,349</u>	<u>8,434,175</u>	<u>7,894,789</u>

The cost financed by users of the District's programs was \$563,672.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,338,867.

The net cost of governmental activities was financed with \$3,518,402 in property and other taxes and \$3,620,204 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$490,491 and expenses were \$472,496. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, MFL MarMac Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,918,932, below last year's ending fund balances of \$3,949,654.

## **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors.
- The General Fund balance increased from \$278,645 to \$498,308, due in part to a gradual effort to increase solvency.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy account balance decreased from \$896,471 at June 30, 2014 to \$620,358 at June 30, 2015.
- The Statewide Sales Tax account balance increased from \$1,524,703 at June 30, 2014 to \$1,758,436 at June 30, 2015.
- The Management Fund balance decreased from \$936,291 to \$733,699. This is an anticipated decrease, however the fund is still very healthy. The purpose of this cash balance is to prepare for the numerous anticipated early retirements, in which the district will then save money in the general fund.

## **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$(133,698) restated at June 30, 2014 to \$(144,281) at June 30, 2014, representing a decrease of 8%. The District reflected the related expenses for the net OPEB liability, which caused an overall reduction of net position. The Preschool Fund net position increased from \$26,371 at June 30, 2014 to \$54,949 at June 30, 2015 representing an increase of 108%. The district has continued to utilize the food cooperative offered by AEA 1.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$256,223 less than budgeted receipts.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditure functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested \$6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-5 More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$398,994.

Figure A-5

#### Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2014-2015
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	-	-	-	-	-	
Buildings	4,657,316	4,695,142	-	-	4,657,316	4,695,142	1%
Improvements	352,922	334,518	-	-	352,922	334,518	6%
Equipment & Furniture	1,048,008	974,759	31,232	35,804	1,079,240	1,010,563	7%
<b>TOTAL</b>	<b>6,068,246</b>	<b>6,014,419</b>	<b>31,232</b>	<b>35,804</b>	<b>6,099,478</b>	<b>6,050,223</b>	<b>1%</b>

### Long-Term Debt

At June 30, 2015, the District had \$7,907,228 in total long-term debt outstanding. This represents a decrease of 12 from last year. (See Figure A-6) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-6

#### Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2015	2014	2014-2015
	\$	\$	
Governmental activities:			
Revenue bonds	2,690,000	2,840,000	-5%
Termination benefits	160,584	68,675	134%
Net pension liability	3,205,827	4,450,312	-28%
Net OPEB liability	1,645,858	1,396,721	18%
	<u>7,702,269</u>	<u>8,755,708</u>	<u>-12%</u>
Business type activities:			
Net pension liability	85,576	118,797	-28%
Net OPEB liability	119,383	100,219	19%
	<u>204,959</u>	<u>219,016</u>	<u>-6%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

School financing is highly dependent upon student enrollment. The District's September 2015 enrollment has stayed flat compared to 2014; however it has decreased over 25% since 2001. The district can anticipate this trend to continue. Enrollment is expected to decline over the next several years to about 750 students. This additional decline will cause the district to lose extensive additional funding. The district must continue to reduce staff in order to prepare for this decline.

The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be purchased in 2016 at a cost of \$95,000.00, one bus was purchased. To pay for busses the District will use the Physical Plant and Equipment Levy Fund.

Fiscal year 2016 was the third year of a three-year contract with the MFL MarMac Education Teacher Association (MEA). Settlements shall be based on a total package average.

The districts infrastructure needs are repaired and sound. This should help the economy of the district. The district used the sale of SILO sales tax revenue bonds to engage in an overall school and grounds improvement project. This includes a 330-seat auditorium, a replacement of the electrical system, parking lot and grounds improvements, and other improvements voted by the public in the revenue purpose statement. The aim of this project is to create long-term economic impact, and future stability for the district and its educational opportunity. The projects above were completed in 2013 and 2014. In 2015 final infrastructure items as well as playgrounds were addressed.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Dale R. Crozier, Superintendent, MFL MarMac Community Schools; 700 South Page, Monona, Iowa, 52159. 563-539-4795

## BASIC FINANCIAL STATEMENTS



## MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2015

	Governmental Activities		Business Type Activities	Total
	\$		\$	\$
<b>Assets</b>				
Cash, cash equivalents and pooled investments	4,577,448	3,835,141	78,197	3,913,338
Cash with fiscal agent	217,475	398,737	-	398,737
Receivables:				
Property tax:				
Delinquent	53,947	59,614	-	59,614
Succeeding year	3,481,271	3,544,145	-	3,544,145
Accounts	17,690	5,195	26,353	31,548
Due from other governments	639,348	529,628	-	529,628
Inventories	-	-	1,910	1,910
Unamortized bond issue costs	27,793	25,808	-	25,808
Capital assets, net of accumulated depreciation	6,014,419	6,068,246	31,232	6,099,478
<b>Total assets</b>	<b>15,029,391</b>	<b>14,466,514</b>	<b>137,692</b>	<b>14,604,206</b>
<b>Deferred Outflows of Resources</b>				
Pension related deferred outflows	-	680,071	18,131	698,202
<b>Liabilities</b>				
Bank overdrafts	932,187	228,430	-	228,430
Accounts payable	80,396	74,050	-	74,050
Salaries and benefits payable	265,541	307,536	-	307,536
Accrued interest payable	31,995	31,245	-	31,245
Long-term liabilities:				
Unamortized bond premium	2,271	2,109	-	2,109
Portion due within one year:				
Revenue bonds payable	150,000	150,000	-	150,000
Termination benefits	58,235	109,503	-	109,503
Portion due after one year:				
Revenue bonds payable	2,690,000	2,540,000	-	2,540,000
Termination benefits	10,440	51,081	-	51,081
Net pension liability		3,205,826	85,577	3,291,403
Net OPEB liability	1,396,721	1,645,858	119,383	1,765,241
<b>Total liabilities</b>	<b>5,617,786</b>	<b>8,345,638</b>	<b>204,960</b>	<b>8,550,598</b>
<b>Deferred Inflows of Resources:</b>				
Succeeding year property tax	3,481,271	3,544,145	-	3,544,145
Pension related deferred inflows		1,222,610	32,636	1,255,246
Other	-	-	7,559	7,559
<b>Total deferred inflows of resources</b>	<b>3,481,271</b>	<b>4,766,755</b>	<b>40,195</b>	<b>4,806,950</b>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2015

	Governmental Activities		Business Type Activities	Total
	\$		\$	\$
<b>Net position</b>				
Net investment in capital assets	3,174,419	3,378,246	31,232	3,409,478
Restricted for:				
Categorical funding	269,452	312,025	-	312,025
Management levy	867,616	573,115	-	573,115
Physical plant and equipment levy	1,035,536	748,658	-	748,658
Student activities	131,548	126,885	-	126,885
School infrastructure	1,524,703	1,758,436	-	1,758,436
Debt service	150,001	150,001	-	150,001
Unrestricted	(1,222,941)	(5,013,174)	(120,564)	(5,133,738)
<b>Total net position</b>	<u>5,930,334</u>	<u>2,034,192</u>	<u>(89,332)</u>	<u>1,944,860</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2015

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,988,662	179,657	613,136	-
Special	1,119,348	26,631	90,481	-
Other	1,541,119	324,636	302,605	-
	<u>6,649,129</u>	<u>530,924</u>	<u>1,006,222</u>	<u>-</u>
Support services:				
Student	231,374	-	-	-
Instructional staff	101,374	-	-	-
Administration	1,114,848	31,088	-	-
Operation and maintenance of plant	822,185	1,660	-	-
Transportation	522,410	-	-	-
	<u>2,792,191</u>	<u>32,748</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	320,046	-	-	-
Long-term debt interest	63,990	-	-	-
AEA flowthrough	332,645	-	332,645	-
Depreciation (unallocated)*	178,713	-	-	-
	<u>895,394</u>	<u>-</u>	<u>332,645</u>	<u>-</u>
Total governmental activities	<u>10,336,714</u>	<u>563,672</u>	<u>1,338,867</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	472,496	218,026	243,872	-
Preschool	-	28,578	-	-
Total business type activities	<u>472,496</u>	<u>246,604</u>	<u>243,872</u>	<u>-</u>
Total	<u>10,809,210</u>	<u>810,276</u>	<u>1,582,739</u>	<u>-</u>

**General Revenues:**

Property taxes levied for:  
  General purposes  
  Capital outlay  
Income surtax  
Statewide sales, services and use tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other revenues

Total general revenues

**Change in net position**

Net position beginning of year (restated)

Net position end of year

\*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
(3,195,869)	-	(3,195,869)
(1,002,236)	-	(1,002,236)
(913,878)	-	(913,878)
<u>(5,111,983)</u>	<u>-</u>	<u>(5,111,983)</u>
(231,374)	-	(231,374)
(101,374)	-	(101,374)
(1,083,760)	-	(1,083,760)
(820,525)	-	(820,525)
(522,410)	-	(522,410)
<u>(2,759,443)</u>	<u>-</u>	<u>(2,759,443)</u>
(320,046)	-	(320,046)
(63,990)	-	(63,990)
-	-	-
(178,713)	-	(178,713)
(562,749)	-	(562,749)
<u>(8,434,175)</u>	<u>-</u>	<u>(8,434,175)</u>
-	(10,598)	(10,598)
-	28,578	28,578
-	17,980	17,980
<u>(8,434,175)</u>	<u>17,980</u>	<u>(8,416,195)</u>
3,506,226	-	3,506,226
12,176	-	12,176
345,764	-	345,764
751,009	-	751,009
3,620,204	-	3,620,204
7,182	15	7,197
<u>273,434</u>	<u>-</u>	<u>273,434</u>
8,515,995	15	8,516,010
81,820	17,995	99,815
<u>1,952,372</u>	<u>(107,327)</u>	<u>1,845,045</u>
<u>2,034,192</u>	<u>(89,332)</u>	<u>1,944,860</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2015

	General	Management	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash, cash equivalents and pooled investments	915,028	733,699	2,280,726	304,425	4,233,878
Receivables:					
Property tax:					
Delinquent	59,424	-	190	-	59,614
Succeeding year	3,201,694	114,499	227,952	-	3,544,145
Accounts	-	-	-	5,195	5,195
Due from other governments	284,506	-	245,122	-	529,628
<b>Total assets</b>	<u>4,460,652</u>	<u>848,198</u>	<u>2,753,990</u>	<u>309,620</u>	<u>8,372,460</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Bank overdrafts	228,430	-	-	-	228,430
Accounts payable	53,617	-	18,944	1,489	74,050
Salaries and benefits payable	307,536	-	-	-	307,536
Total liabilities	<u>589,583</u>	<u>-</u>	<u>18,944</u>	<u>1,489</u>	<u>610,016</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,201,694	114,499	227,952	-	3,544,145
Income surtax	171,067	-	128,300	-	299,367
Total deferred inflows of resources	<u>3,372,761</u>	<u>114,499</u>	<u>356,252</u>	<u>-</u>	<u>3,843,512</u>
Fund balances:					
Restricted for:					
Categorical funding	312,025	-	-	-	312,025
Debt service	-	-	-	181,246	181,246
Management levy	-	733,699	-	-	733,699
Student activities	-	-	-	126,885	126,885
School infrastructure	-	-	1,758,436	-	1,758,436
Physical plant and equipment	-	-	620,358	-	620,358
Unassigned	186,283	-	-	-	186,283
Total fund balances	<u>498,308</u>	<u>733,699</u>	<u>2,378,794</u>	<u>308,131</u>	<u>3,918,932</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>4,460,652</u>	<u>848,198</u>	<u>2,753,990</u>	<u>309,620</u>	<u>8,372,460</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position

June 30, 2015

		\$
<b>Total fund balances of governmental funds (Exhibit C)</b>		3,918,932
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		6,068,246
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		299,367
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.		25,808
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(31,245)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	680,071	
Deferred inflows of resources	<u>(1,222,610)</u>	(542,539)
Long-term liabilities, including bonds payable, bond premiums, capital leases, termination benefits, other postemployment benefits payable and net pension liability, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.		<u>(7,704,377)</u>
<b>Net position of governmental activities (Exhibit A)</b>		<u><u>2,034,192</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2015

	General	Management	Capital	Nonmajor	Total
	\$	Levy	Projects	Governmental	\$
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,668,490	-	174,439	-	3,842,929
Tuition	151,621	-	-	-	151,621
Other	126,521	8,635	3,205	321,860	460,221
State sources	4,696,197	-	751,015	-	5,447,212
Federal sources	262,868	-	-	-	262,868
Total revenues	<u>8,905,697</u>	<u>8,635</u>	<u>928,659</u>	<u>321,860</u>	<u>10,164,851</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,595,483	73,119	-	-	3,668,602
Special	1,086,495	-	-	-	1,086,495
Other	1,200,907	-	-	326,523	1,527,430
	<u>5,882,885</u>	<u>73,119</u>	<u>-</u>	<u>326,523</u>	<u>6,282,527</u>
Support services:					
Student	216,668	-	-	-	216,668
Instructional staff	95,898	-	-	-	95,898
Administration	1,072,002	-	-	-	1,072,002
Operation and maintenance of plant	661,700	111,901	48,000	-	821,601
Transportation	428,908	26,207	134,969	-	590,084
	<u>2,475,176</u>	<u>138,108</u>	<u>182,969</u>	<u>-</u>	<u>2,796,253</u>
Other expenditures:					
Facilities acquisition	-	-	574,080	-	574,080
Long-term debt:					
Principal	-	-	-	150,000	150,000
Interest and fiscal charges	-	-	-	64,740	64,740
AEA flowthrough	332,645	-	-	-	332,645
	<u>332,645</u>	<u>-</u>	<u>574,080</u>	<u>214,740</u>	<u>1,121,465</u>
Total expenditures	<u>8,690,706</u>	<u>211,227</u>	<u>757,049</u>	<u>541,263</u>	<u>10,200,245</u>
Excess (deficiency) of revenues over (under) expenditures	<u>214,991</u>	<u>(202,592)</u>	<u>171,610</u>	<u>(219,403)</u>	<u>(35,394)</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2015

	General	Management Levy	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sales of materials and equipment	4,672	-	-	-	4,672
Transfers in	-	-	-	213,990	213,990
Transfers out	-	-	(213,990)	-	(213,990)
Total other financing sources (uses)	<u>4,672</u>	<u>-</u>	<u>(213,990)</u>	<u>213,990</u>	<u>4,672</u>
Change in fund balances	219,663	(202,592)	(42,380)	(5,413)	(30,722)
Fund balances beginning of year	<u>278,645</u>	<u>936,291</u>	<u>2,421,174</u>	<u>313,544</u>	<u>3,949,654</u>
Fund balances end of year	<u><u>498,308</u></u>	<u><u>733,699</u></u>	<u><u>2,378,794</u></u>	<u><u>308,131</u></u>	<u><u>3,918,932</u></u>



## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2015

	\$	\$
<b>Change in fund balances - total governmental funds (Exhibit E)</b>		(30,722)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, gain on disposal of assets and depreciation expense in the current year are as follows:		
Expenditures for capital assets	249,940	
Gain on disposal of assets	198,309	
Depreciation expense	<u>(394,422)</u>	53,827
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		21,237
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		150,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		750
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		476,013
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Pension expense	(246,416)	
Termination benefits	(91,908)	
Other postemployment benefits	<u>(249,137)</u>	(587,461)
Bond issue costs are reported as an expense in the governmental fund financial statements when incurred, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		(1,985)
Bond premiums are reported as revenue in the governmental fund financial statements when incurred, but are amortized over the life of the bonds in the government-wide financial statements.		<u>161</u>
<b>Changes in net position of governmental activities (Exhibit B)</b>		<u><u>81,820</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Position  
Proprietary Funds

June 30, 2015

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	78,197
Accounts receivable	26,353
Inventories	1,910
Total current assets	<u>106,460</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>31,232</u>
<b>Total assets</b>	<u>137,692</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>18,131</u>
<b>Liabilities</b>	
Current liabilities:	
Deferred revenue	<u>7,559</u>
Noncurrent liabilities:	
Net pension liability	85,577
Net OPEB liability	<u>119,383</u>
Total noncurrent liabilities	<u>204,960</u>
<b>Total liabilities</b>	<u>212,519</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>32,636</u>
<b>Net position</b>	
Investment in capital assets	31,232
Unrestricted	<u>(120,564)</u>
<b>Total net position</b>	<u><u>(89,332)</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds

Year ended June 30, 2015

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>246,604</u>
Operating expenses:	
Non-instructional programs:	
Salaries	154,463
Benefits	95,470
Purchased services	476
Supplies	217,515
Depreciation	4,572
Total operating expenses	<u>472,496</u>
Operating income (loss)	<u>(225,892)</u>
Non-operating revenues:	
State sources	4,017
Federal sources	239,855
Interest income	15
Total non-operating revenues	<u>243,887</u>
Change in net position	17,995
Net position beginning of year	<u>(107,327)</u>
Net position end of year	<u><u>(89,332)</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2015

	Nonmajor Enterprise Funds
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	210,686
Cash received from preschool services	30,423
Cash paid to employees for services	(236,875)
Cash paid to suppliers for goods or services	(172,668)
Net cash used by operating activities	<u>(168,434)</u>
Cash flows from non-capital financing activities:	
State grants received	4,017
Federal grants received	197,023
Net cash provided by non-capital financing activities	<u>201,040</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>15</u>
Net increase (decrease) in cash and cash equivalents	32,621
Cash and cash equivalents at beginning of year	<u>45,576</u>
Cash and cash equivalents at end of year	<u><u>78,197</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(225,892)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	42,832
Depreciation	4,572
Decrease (increase) in inventories	2,491
Decrease (increase) in accounts receivable	(3,524)
(Decrease) increase in deferred revenue	(1,971)
Decrease in net pension liability	(33,220)
Increase in deferred outflows of resources	(5,522)
Increase in deferred inflows of resources	32,636
(Decrease) increase in other postemployment benefits	19,164
Net cash used by operating activities	<u><u>(168,434)</u></u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2015, the District received \$42,832 of federal commodities.

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2015

	<u>Agency</u> \$
<b>Assets</b>	
Cash, cash equivalents and pooled investments	146,515
Interfund receivable	78,678
Due from other governments	<u>45,874</u>
<b>Total assets</b>	<u>271,067</u>
<b>Liabilities</b>	
Bank overdrafts	24,677
Accounts payable	71,000
Interfund payable	78,678
Other payables	<u>96,712</u>
<b>Total liabilities</b>	<u>271,067</u>
<b>Net position</b>	<u><u>-</u></u>

# MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

### 1. Summary of Significant Accounting Policies

MFL MarMac Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Monona, Farmersburg, Luana, Marquette and McGregor, Iowa and the predominately agricultural territory in a portion of Clayton and Allamakee Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, MFL MarMac Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The MFL MarMac Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District proprietary funds include the Nonmajor Enterprise, School Nutrition and Preschool Funds. These funds are used to account for the operations of both funds.

The District also reports fiduciary funds, which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.



Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Intangibles	3-10 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Outflows of Resources . Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions . For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources . Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amount of the budget in the other expenditures function.

### 2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,268 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Moody's Investors Service.

The District also had \$398,737 invested in federal funds at Bankers Trust to fund their bond reserve fund.

### 3. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor, Debt Service Fund	Capital Projects Fund	213,990

These transfers moved revenues from the funds statutorily required to collect the resources to the funds statutorily required to expend the resources.

### 4. **Capital Assets**

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Construction in progress	-	-	-	-
Total capital assets not being depr.	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital assets being depreciated:				
Buildings	8,295,311	55,725	20,780	8,330,256
Improvements other than buildings	588,614	-	4,948	583,666
Furniture and equipment	1,991,626	194,215	(127,040)	2,312,881
Total capital assets being deprec.	<u>10,875,551</u>	<u>249,940</u>	<u>(101,312)</u>	<u>11,226,803</u>
Less accumulated depreciation for:				
Buildings	3,600,169	149,330	76,559	3,672,940
Improvements other than buildings	254,096	29,183	52,535	230,744
Furniture and equipment	1,016,867	215,909	(32,097)	1,264,873
Total accumulated depreciation	<u>4,871,132</u>	<u>394,422</u>	<u>96,997</u>	<u>5,168,557</u>
Total capital assets being depreciated, net	<u>6,004,419</u>	<u>(144,482)</u>	<u>(198,309)</u>	<u>6,058,246</u>
Governmental activities capital assets, net	<u>6,014,419</u>	<u>(144,482)</u>	<u>(198,309)</u>	<u>6,068,246</u>
<b>Business type activities:</b>				
Furniture and equipment	115,343	-	-	115,343
Less accumulated depreciation	<u>79,539</u>	<u>4,572</u>	<u>-</u>	<u>84,111</u>
Business type activities capital assets, net	<u>35,804</u>	<u>(4,572)</u>	<u>-</u>	<u>31,232</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	83,249
Other	-
Support services:	
Student support	9,230
Administration services	18,206
Operation and maintenance of plant services	14,353
Transportation	90,871
	<u>215,909</u>
Unallocated depreciation	<u>178,513</u>
Total depreciation expense . governmental activities	<u>394,422</u>
Business type activities:	
Food services	<u>4,572</u>

## 5. Salaries and Benefits Payable

Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows:

	Balance Beginning of Year \$	Additions \$	Reductions \$	Balance End of Year \$	Due Within One Year \$
Governmental activities:					
Revenue Bonds	2,840,000	-	150,000	2,690,000	150,000
Capital Leases	-	-	-	-	-
Termination benefits	68,675	150,144	58,235	160,584	7,346
Net pension liability	4,450,312	-	1,244,485	3,205,827	-
Net OPEB liability	1,396,721	249,137	-	1,645,858	-
Total	<u>8,755,708</u>	<u>399,281</u>	<u>1,452,720</u>	<u>7,702,269</u>	<u>157,346</u>
Business type activities:					
Net pension liability	118,797	-	33,221	85,576	-
Net OPEB liability	100,219	19,164	-	119,383	-
Total	<u>219,016</u>	<u>19,164</u>	<u>33,221</u>	<u>204,959</u>	<u>-</u>

### Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2015, the District has obligations to seven participants with a total liability of \$160,584. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$58,235.

### Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 29, 2012			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	1.00	150,000	61,740	211,740
2017	1.00	150,000	60,240	210,240
2018	1.25	150,000	58,552	208,552
2019	1.50	150,000	56,490	206,490
2020	1.85	150,000	53,978	203,978
2021-2025	1.85-2.65	830,000	217,870	1,047,870
2026-2030	2.80-3.10	1,110,000	95,448	1,205,448
		<u>2,690,000</u>	<u>604,318</u>	<u>3,294,318</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,990,000 bonds issued in May 2012. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 35% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,294,318. For the current year, \$150,000 of principal and \$63,240 interest was paid on the bonds and total statewide sales, services and use tax revenues were \$751,009.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- Bonds maturing after January 1, 2017, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$217,475 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

## 7. Pension Plan

Plan Description . IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 nor at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits . A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits . A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions . Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS's Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$488,697.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . At June 30, 2015, the District reported a liability of \$3,291,403 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.082993 percent, which was an increase of 0.003415 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$252,994. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred Inflows of Resources
	\$	\$
Differences between expected and actual experience	35,771	-
Changes in assumptions	145,257	-
Net difference between projected and actual earnings on pension plan investments	-	1,255,246
Change in proportion and differences between District contributions and proportionate share of contributions	28,477	-
District contributions subsequent to the measurement date	488,697	-
Total	698,202	1,255,246

\$488,697 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	\$
2016	(264,862)
2017	(264,862)
2018	(264,862)
2019	(264,862)
2020	13,707
Total	(1,045,741)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions . The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.



The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
	%	
US Equity	23	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100	

Discount Rate . The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate . The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
	\$	\$	\$
District proportionate share of the net pension liability	6,219,014	3,291,403	820,197

Pension Plan Fiduciary Net Position . Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS's website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan . At June 30, 2015, the District reported payables to the defined benefit pension plan of \$91,132 for legally required employer contributions and \$60,722 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

## 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 98 active and 14 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	405,767
Interest on net OPEB obligation	37,423
Adjustment to annual required contribution	(107,140)
Annual OPEB cost	<u>336,050</u>
Contributions made	<u>(67,749)</u>
Increase in net OPEB obligation	268,301
Net OPEB obligation beginning of year	<u>1,496,940</u>
Net OPEB obligation end of year	<u>1,765,241</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$67,749 to the medical plan. Plan members eligible for benefits contributed \$19,737.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	369,492	13%	320,785
2011	371,663	14%	639,270
2012	408,266	9%	1,013,863
2013	324,478	26%	1,254,276
2014	324,535	25%	1,496,940
2015	336,050	20%	1,765,241

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$2,217,930, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,217,930. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,450,000, and the ratio of the UAAL to covered payroll was 49.8%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000.

The UAAL is being amortized over 30 years.

## **9. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual

amount for this purpose totaled \$332,645 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
	\$
Gifted and talented	47,010
Teacher salary supplement	105,346
Educator quality, professional development	116,857
Professional development, core curriculum	10,569
Market factor	4,400
Early literacy	21,148
Teacher mentoring	6,695
	<u>312,025</u>

## 12. Early Childhood Iowa Area Board

The District is the fiscal agent for the HAWC Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the District's financial statements as an Agency Fund because of the District's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2015 is as follows:

	Early Child- hood Fund Federal	Early Child- hood Fund (State)	School Ready Fund	Source Other Than ECI Grant Fund	Total
	\$	\$	\$	\$	\$
Revenues:					
State of Iowa ECI grants:					
Early childhood	-	62,649	-	-	62,649
Family support and parent education	-	-	296,865	-	296,865
Preschool support for low-income families	-	-	130,345	-	130,345
Quality improvement	-	-	64,174	-	64,174
Allocation for administration	-	3,297	16,166	-	19,463
Other grant program services	-	-	31,905	-	31,905
Total state of Iowa ECI grants	-	65,946	539,455	-	605,401
Other Source Revenues :					
Contributions	-	-	-	59,406	59,406
Decategorization (Area Coordination, etal)	-	-	-	90	90
Community Wide-PBIS DE grant	-	-	-	785	785
Total Other Sources	-	-	-	60,281	60,281
Interest on investments	-	6	77	-	83
Total Revenues	-	65,952	539,532	60,281	665,765

Program services:				
Early childhood	-	67,376	-	67,376
Family support and parent education	-	-	296,865	296,865
Preschool support for low income families	-	-	145,603	145,603
Quality improvement	-	-	58,374	4,499
Admin used for program services: Family Support	-	-	13,119	-
Other program services*	-	-	41,269	55,782
Total program services	-	67,376	555,230	60,281
Administration	-	1,999	16,114	-
Total expenditures	-	69,375	571,344	60,281
Change in fund balance	-	(3,423)	(31,812)	-
Fund balance beginning of year	-	7,083	91,666	-
Fund balance end of year	-	3,660	59,854	-
*Other Program Services				
Family Support	-	-	-	-
Child Care Supports	-	-	10,678	90
Child Care Nurse Consultant	-	-	6,783	-
Child Care Consultant	-	-	23,808	-
Merit Resources error	-	-	-	785
Decategorization coordination & projects	-	-	-	54,907
Total other program services	-	-	41,269	55,782

### 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
	\$	\$
Net position June 30, 2014, as previously reported	5,930,334	(1,139)
Net pension liability at June 30, 2014	(4,450,312)	(118,797)
Deferred outflows of resources		
Related to contributions made after the June 30, 2013 measurement date	472,350	12,609
Net position July 1, 2014, as restated	1,952,372	(107,327)

## REQUIRED SUPPLEMENTARY INFORMATION

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original	Final	\$
Revenues:						
Local sources	4,454,771	246,619	4,701,390	5,426,220	5,426,220	(724,830)
State sources	5,447,212	4,017	5,451,229	4,906,345	4,906,345	544,884
Federal sources	262,868	239,855	502,723	579,000	579,000	(76,277)
Total revenues	<u>10,164,851</u>	<u>490,491</u>	<u>10,655,342</u>	<u>10,911,565</u>	<u>10,911,565</u>	<u>(256,223)</u>
Expenditures/Expenses:						
Instruction	6,282,527	-	6,282,527	6,424,356	6,424,356	141,829
Support services	2,796,253	-	2,796,253	3,225,411	3,225,411	429,158
Non-instructional programs	-	472,496	472,496	581,500	581,500	109,004
Other expenditures	1,121,465	-	1,121,465	1,054,009	1,054,009	(67,456)
Total expenditures/expenses	<u>10,200,245</u>	<u>472,496</u>	<u>10,672,741</u>	<u>11,285,276</u>	<u>11,285,276</u>	<u>612,535</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(35,394)	17,995	(17,399)	(373,711)	(373,711)	356,312
Other financing sources (uses) net	<u>4,672</u>	<u>-</u>	<u>4,672</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>29,672</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(30,722)	17,995	(12,727)	(398,711)	(398,711)	385,984
Balance beginning of year (restated)	<u>3,949,654</u>	<u>(107,327)</u>	<u>3,842,327</u>	<u>3,960,959</u>	<u>3,960,959</u>	<u>(118,632)</u>
Balance end of year	<u><u>3,918,932</u></u>	<u><u>(89,332)</u></u>	<u><u>3,829,600</u></u>	<u><u>3,562,248</u></u>	<u><u>3,562,248</u></u>	<u><u>267,352</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures exceeded the amount budgeted on the other expenditures function.



MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.082993%
District's proportionate share of the net pension liability	3,291,403
District's covered-employee payroll	5,472,531
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.14%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of District Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Statutorily required contribution	488,697	484,959	452,509	413,285	364,023	353,915	336,799	310,429	278,671	266,854
Contributions in relation to the statutorily required contribution	<u>488,697</u>	<u>484,959</u>	<u>452,509</u>	<u>413,285</u>	<u>364,023</u>	<u>353,915</u>	<u>336,799</u>	<u>310,429</u>	<u>278,671</u>	<u>266,854</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	5,472,531	5,430,672	5,219,250	5,121,256	5,237,737	5,322,030	5,303,921	5,131,058	4,846,452	4,640,939
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

#### Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decrease the inflation assumption from 3.25 percent to 3.00 percent.
- Decrease the assumed rate of interest on member accounts from 4.00 percent to 3.75% percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL. UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted salary increase assumptions to service based assumptions.

Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

Lowered the inflation assumption from 3.50 percent to 3.25 percent.

Lowered disability rates for sheriffs and deputies and protection occupation members.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information

Year ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll ( c ) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	2,984,054	2,984,054	0.0%	4,100,000	72.8%
2011	July 1, 2009	-	2,858,574	2,858,574	0.0%	4,080,000	70.1%
2012	July 1, 2009	-	2,729,387	2,729,387	0.0%	4,260,000	64.1%
2013	July 1, 2012	-	2,528,943	2,528,943	0.0%	4,160,000	60.8%
2014	July 1, 2012	-	2,399,952	2,399,952	0.0%	4,770,000	50.3%
2015	July 1, 2012	-	2,217,930	2,217,930	0.0%	4,450,000	49.8%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## SUPPLEMENTARY INFORMATION

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue		
	Student	Debt	
<b>Assets</b>	Activity	Service	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	123,179	181,246	304,425
Receivables:			
Accounts	5,195	-	5,195
<b>Total assets</b>	<u>128,374</u>	<u>181,246</u>	<u>309,620</u>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	1,489	-	1,489
Fund balances:			
Restricted for:			
Debt service	-	181,246	181,246
Student activities	126,885	-	126,885
Total fund balances	<u>126,885</u>	<u>181,246</u>	<u>308,131</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>128,374</u>	<u>181,246</u>	<u>309,620</u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2015

	Special Revenue		
	Student	Debt	Total
	Activity	Service	
	\$	\$	\$
Revenues:			
Local sources:			
Other	321,860	-	321,860
Expenditures:			
Current:			
Instruction:			
Other	326,523	-	326,523
Long-term debt:			
Principal	-	150,000	150,000
Interest and fiscal charges	-	64,740	64,740
Total expenditures	326,523	214,740	541,263
Excess (deficiency) of revenues over (under) expenditures	(4,663)	(214,740)	(219,403)
Other financing sources (uses):			
Transfers in	-	213,990	213,990
Changes in fund balances	(4,663)	(750)	(5,413)
Fund balances beginning of year	131,548	181,996	313,544
Fund balances end of year	126,885	181,246	308,131



## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position  
Nonmajor Enterprise Funds

June 30, 2014

	Nonmajor Enterprise		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	24,283	53,914	78,197
Accounts receivable	25,318	1,035	26,353
Inventories	1,910	-	1,910
Capital assets, net of accumulated depreciation	31,232	-	31,232
<b>Total assets</b>	<b>82,743</b>	<b>54,949</b>	<b>137,692</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	18,131	-	18,131
<b>Liabilities</b>			
Noncurrent liabilities:			
Deferred revenue	7,559	-	7,559
Net pension liability	85,577	-	85,577
Net OPEB liability	119,383	-	119,383
<b>Total liabilities</b>	<b>212,519</b>	<b>-</b>	<b>212,519</b>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	32,636	-	32,636
<b>Net position</b>			
Invested in capital assets	31,232	-	31,232
Unrestricted	(175,513)	54,949	(120,564)
<b>Total net position</b>	<b>(144,281)</b>	<b>54,949</b>	<b>(89,332)</b>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position  
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Nonmajor Enterprise		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	218,026	28,578	246,604
Operating expenses:			
Non-instructional programs:			
Salaries	154,463	-	154,463
Benefits	95,470	-	95,470
Purchased services	476	-	476
Supplies	217,515	-	217,515
Depreciation	4,572	-	4,572
Total operating expenses	472,496	-	472,496
Operating income (loss)	(254,470)	28,578	(225,892)
Non-operating revenues:			
State sources	4,017	-	4,017
Federal sources	239,855	-	239,855
Interest income	15	-	15
Total non-operating revenues	243,887	-	243,887
Change in net position	(10,583)	28,578	17,995
Net position beginning of year (restated)	(133,698)	26,371	(107,327)
Net position end of year	(144,281)	54,949	(89,332)

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	210,686	-	210,686
Cash received from preschool services	-	30,423	30,423
Cash paid to employees for services	(236,875)	-	(236,875)
Cash paid to suppliers for goods or services	(172,668)	-	(172,668)
Net cash (used) provided by operating activities	<u>(198,857)</u>	<u>30,423</u>	<u>(168,434)</u>
Cash flows from non-capital financing activities:			
State grants received	4,017	-	4,017
Federal grants received	197,023	-	197,023
Net cash provided by non-capital financing activities	<u>201,040</u>	<u>-</u>	<u>201,040</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>15</u>	<u>-</u>	<u>15</u>
Net increase (decrease) in cash and cash equivalents	2,198	30,423	32,621
Cash and cash equivalents at beginning of year	<u>22,085</u>	<u>23,491</u>	<u>45,576</u>
Cash and cash equivalents at end of year	<u><u>24,283</u></u>	<u><u>53,914</u></u>	<u><u>78,197</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>			
Operating income (loss)	(254,470)	28,578	(225,892)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	42,832	-	42,832
Depreciation	4,572	-	4,572
Decrease (increase) in inventories	2,491	-	2,491
Decrease (increase) in accounts receivable	(5,369)	1,845	(3,524)
(Decrease) increase in deferred revenue	(1,971)	-	(1,971)
Decrease in net pension liability	(33,220)	-	(33,220)
Increase in deferred outflows of resources	(5,522)	-	(5,522)
Increase in deferred inflows of resources	32,636	-	32,636
Increase in other postemployment benefits	19,164	-	19,164
Net cash (used) provided by operating activities	<u><u>(198,857)</u></u>	<u><u>30,423</u></u>	<u><u>(168,434)</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide	Physical	Total
	Sales, Services and Use	Plant and Equipment Levy	
<b>Assets</b>	\$	\$	\$
Cash, cash equivalents and pooled investments	1,641,614	639,112	2,280,726
Receivables:			
Property tax:			
Delinquent	-	190	190
Succeeding year	-	227,952	227,952
Due from other governments	116,822	128,300	245,122
<b>Total assets</b>	<b>1,758,436</b>	<b>995,554</b>	<b>2,753,990</b>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	-	18,944	18,944
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	227,952	227,952
Income surtax	-	128,300	128,300
Total deferred inflows of resources	-	356,252	356,252
Fund balances:			
Restricted for:			
School infrastructure	1,758,436	-	1,758,436
Physical plant and equipment	-	620,358	620,358
Total fund balances	1,758,436	620,358	2,378,794
<b>Total liabilities and fund balances</b>	<b>1,758,436</b>	<b>995,554</b>	<b>2,753,990</b>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	174,439	174,439
Other	2,164	1,041	3,205
State sources	751,009	6	751,015
Total revenues	<u>753,173</u>	<u>175,486</u>	<u>928,659</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	48,000	48,000
Transportation services	113,530	21,439	134,969
Other expenditures:			
Facilities acquisition	191,920	382,160	574,080
Total expenditures	<u>305,450</u>	<u>451,599</u>	<u>757,049</u>
Excess (deficiency) of revenues over (under) expenditures	447,723	(276,113)	171,610
Other financing sources (uses):			
Transfers out	(213,990)	-	(213,990)
Total other financing sources (uses)	<u>(213,990)</u>	<u>-</u>	<u>(213,990)</u>
Change in fund balance	233,733	(276,113)	(42,380)
Fund balances beginning of year	<u>1,524,703</u>	<u>896,471</u>	<u>2,421,174</u>
Fund balance end of year	<u><u>1,758,436</u></u>	<u><u>620,358</u></u>	<u><u>2,378,794</u></u>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Fine arts	2,972	9,167	4,708	-	7,431
Middle school drama	1,174	1,618	1,925	-	867
Band	10,468	109	74	-	10,503
Girls basketball	1,713	8,176	7,741	(2,148)	-
2021 Girls basketball	1,106	-	-	-	1,106
General athletics	313	13,344	14,936	1,279	-
MS athletic sup. fund balance	-	1,818	7,463	5,645	-
MS volleyball	868	-	260	-	608
2016 & 2017 boys basketball	23	15,955	8,495	-	7,483
MS track activities fund balance	713	-	-	-	713
MS Cross country	65	-	-	(65)	-
Cross country	-	516	657	141	-
Cross country activities	272	88	505	145	-
Golf activities	118	86	809	605	-
Bulldog basketball club activities	11,592	3,425	5,764	-	9,253
Boys basketball	-	1,085	2,433	1,348	-
Football	2,728	15,396	16,503	(1,621)	-
Football activities fund balance	1,548	5,593	5,517	-	1,624
Youth football club	524	-	2,435	1,911	-
Baseball fund balance	553	683	6,569	5,333	-
Baseball activities	729	6,180	7,258	803	454
Boys track	(339)	1,525	1,546	360	-
Wrestling fund balance	-	5,891	7,865	1,974	-
Wrestling club fund balance	4,461	3,688	5,895	-	2,254
Youth wrestling	2,668	22,765	22,603	-	2,830
Volleyball fund balance	(1,404)	2,285	1,735	854	-
Bulldog volleyball club balance	2,448	2,605	2,555	-	2,498
Softball fund balance	(118)	3,023	4,574	1,669	-
Softball activities fund balance	4,606	7,017	10,891	(98)	634
Girls track fund	272	975	1,905	658	-
Girls track activities	257	211	356	-	112
Cheerleaders	522	5,787	4,516	(140)	1,653
MS Cheerleaders	-	294	294	-	-
Dance team fund balance	2,429	6,099	5,069	(324)	3,135
Speech & drama activities	902	5,880	4,157	-	2,625
NHS	-	4,343	2,568	-	1,775
FFA	14,486	24,875	24,584	(10,294)	4,483
High school student council	2,334	11,985	11,286	-	3,033
Middle school student council	2,170	7,519	7,094	-	2,595
Young Americans	1,334	2,766	3,390	-	710

See accompanying independent auditor's report.

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Middle school peer helpers	46	-	46	-	-
High school peer helpers	197	-	-	-	197
Class of 2021	-	14,302	10,353	-	3,949
Class of 2020	3,869	4,077	8,786	840	-
Class of 2019	120	3,980	2,773	(1,327)	-
Class of 2018	251	-	155	-	96
Class of 2017	924	-	131	-	793
Class of 2016	3,964	16,741	10,320	-	10,385
Class of 2015	9,520	-	3,332	-	6,188
Class of 2014	2,613	-	1,292	-	1,321
Class of 2013	742	-	-	-	742
Class of 2012	5,316	-	5,316	-	-
Music resale	54	455	-	-	509
Yearbook	(300)	8,548	15,457	7,209	-
Student activity tickets	52	17,204	795	(16,436)	25
Elem. fund raising	8,945	6,482	6,492	44	8,979
M.S. fund raising	317	5,559	3,440	127	2,563
HS fund raising	(245)	892	578	324	393
MS class trips	126	40,168	39,700	-	594
Electrathon team	261	-	-	-	261
Pepsi (McG)	49	622	622	(49)	-
FFA savings	21,184	32	-	-	21,216
Cash on hand	100	26	-	(25)	101
Beginning accruals	(4,052)	-	-	4,052	-
Ending accruals	2,988	-	-	(2,794)	194
<b>Total</b>	<b>131,548</b>	<b>321,860</b>	<b>326,523</b>	<b>-</b>	<b>126,885</b>

## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2015

	HAWC Early Childhood Iowa Board	Little Bulldog Childcare	Dr. Smith Childcare Center	Employee Memorial	Total
	\$	\$	\$	\$	\$
Balance begin of year Adjusted	98,748	121,342	(78,308)	904	142,686
Additions:					
Collections	665,765	205,481	133,569	291	1,005,106
Deductions:					
Miscellaneous	701,000	190,758	159,197	125	1,051,080
Balance end of year	63,513	136,065	(103,936)	1,070	96,712



## MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	3,842,929	3,558,617	4,157,971	4,198,231	3,925,636	3,740,863	3,576,842	3,419,092	3,418,679	3,280,104
Tuition	151,621	163,087	175,435	181,136	142,656	139,533	180,640	175,375	141,766	145,874
Other	460,221	473,252	459,083	585,211	468,181	408,037	581,451	625,741	608,135	481,720
Intermediate sources	-	-	-	-	-	-	1,000	-	1,151	2,441
State sources	5,447,212	5,408,736	4,593,538	4,295,383	4,414,240	3,860,409	4,543,606	4,550,235	4,382,392	4,202,997
Federal sources	262,868	278,877	279,889	315,836	557,005	899,279	305,353	243,652	215,634	204,975
Total revenues	<u>10,164,851</u>	<u>9,882,569</u>	<u>9,665,916</u>	<u>9,575,797</u>	<u>9,507,718</u>	<u>9,048,121</u>	<u>9,188,892</u>	<u>9,014,095</u>	<u>8,767,757</u>	<u>8,318,111</u>
Expenditures:										
Instruction:										
Regular	3,668,602	3,843,816	3,466,575	3,866,348	3,279,161	3,597,272	3,382,648	3,169,523	3,275,897	3,060,145
Special	1,086,495	983,242	938,303	993,805	988,309	875,152	1,119,005	958,194	786,879	764,176
Other	1,527,430	1,502,405	1,536,969	1,381,465	1,418,823	1,431,233	1,297,396	1,176,705	1,090,837	941,952
Support services:										
Student	216,668	169,013	137,452	108,306	116,566	95,078	100,377	231,868	226,374	237,145
Instructional staff	95,898	105,820	80,068	83,834	107,581	140,965	142,376	137,531	140,152	143,944
Administration	1,072,002	1,115,579	1,068,257	991,470	916,593	1,019,805	937,912	869,170	828,117	780,254
Operation and maintenance	821,601	829,241	776,864	729,141	738,377	740,021	724,526	743,054	663,532	626,690
Transportation	590,084	566,068	527,530	456,326	532,052	495,260	533,481	504,467	444,979	469,674
Non-instructional programs	-	-	-	-	-	-	-	4,000	-	-
Other expenditures:										
Facilities acquisition	574,080	898,006	2,217,754	952,369	565,656	701,926	733,599	357,812	569,506	388,504
Long-term debt:										
Principal	150,000	201,832	51,370	103,209	-	405,000	90,000	210,000	105,000	100,000
Interest and other charges	64,740	66,672	39,419	32,997	-	15,858	15,562	21,529	26,576	29,361
AEA flowthrough	332,645	328,996	318,441	315,818	356,773	357,089	318,417	313,344	304,120	294,529
Total expenditures	<u>10,200,245</u>	<u>10,610,690</u>	<u>11,159,002</u>	<u>10,015,088</u>	<u>9,019,891</u>	<u>9,874,659</u>	<u>9,395,299</u>	<u>8,697,197</u>	<u>8,461,969</u>	<u>7,836,374</u>

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384  
Clarion, IA 50525-0384  
(515)532-6681 Phone  
(515) 532-2405 Fax  
[BETCO@mchsi.com](mailto:BETCO@mchsi.com) E-mail

Independent Auditor's Report on Internal Control  
Over Financial Reporting and on compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
MFL MarMac Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac Community School District and of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MFL MarMac Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MFL MarMac Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of MFL MarMac Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 15-I-A and 15-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MFL MarMac Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### MFL MarMac Community School District's Responses to the Findings

MFL MarMac Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. MFL MarMac Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of MFL MarMac Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

May 10, 2016

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

15-I-A      Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

15-I-B      Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- 15-II-A     Certified Budget: Expenditures for the year ended June 30, 2015, exceeded the certified budget amount budgeted in the other expenditure function.
- Recommendation: The certified budget was not amended in accordance with Chapter 24.9 of the Code of Iowa.
- District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion: Response accepted.
- 15-II-B     Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 15-II-C     Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 15-II-D     Business Transactions: No business transactions between the District and District officials or employees were noted.
- 15-II-E     Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 15-II-F     Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 15-II-G     Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2014, was understated by 0.5 students.
- Recommendation: The District should review its control procedures to ensure accurate counts in the future.
- District Response: We will continue to review our procedures and implement additional controls where possible.
- Conclusion: Response accepted.
- 15-II-H     Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 15-II-I     Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 15-II-J     Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.

# MFL MARMAC COMMUNITY SCHOOL DISTRICT

## Schedule of Findings and Responses

Year ended June 30, 2015

### Part II: Other Findings Related to Required Statutory Reporting (continued):

15-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

15-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		1,524,703
Revenues/transfers in:		
Statewide sales, services and use tax revenue	751,009	
Other income	2,164	753,173
Expenditures/transfers out:		
Transfers to debt service	213,990	
Facilities and equipment	305,450	519,440
Ending balance		<u>1,758,436</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

15-II-M Deficit Balances: The School Nutrition Fund has an unrestricted deficit balance at June 30, 2015.

Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate the deficits.

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.